



MAINE STATE LEGISLATURE
Joint Standing Committee on Appropriations & Financial Affairs
Augusta, Maine 04333

TO: Chairs, Joint Standing Committees of the Legislature

FROM: Senator Margaret Rotundo, Chair
Representative Jeremy Fischer, Chair
Joint Standing Committee on Appropriations & Financial Affairs

DATE: February 5, 2008

SUBJECT: Supplemental Budget (LD 2173)

We are facing an extraordinary fiscal challenge.

In early January, the Governor put forth a Supplemental Budget bill that was designed to close a hole of \$95 million. It has becoming increasingly clear that the budget hole is much larger than that, possibly as much as \$99 million larger for FY09.

Our budget problems are made worse by the following factors:

- A worsening national economy, leading to lower revenue collections in Maine.
- Federal Medicaid rules that may further reduce revenue collections and eliminate matching federal dollars for services to children, the elderly and those with disabilities, many of which may be or, in some cases must be replaced with state or local dollars.
- Potential state revenue loss as a result of a federal economic stimulus package that may speed up business equipment depreciation.

In ordinary times, we would ask the policy committees only to review the provisions of LD 2173 and make recommendations about those provisions to the Appropriations Committee. Because these are not ordinary times, we must ask policy committees to go further than simply reviewing LD 2173. We are asking each committee to propose a way to reduce the General Fund spending of their department or departments by an additional amount over and above the reductions proposed in LD 2173. The additional cuts are based upon the ratio of the General Fund budgets for programs overseen by each policy committee (net of the original LD 2173 changes) to the total state General Fund budget. We are attaching calculated cuts for each program based upon the aforementioned ratio as well as total cuts expected from each committee based upon the specific departments or programs within its jurisdiction. This attachment will also note the programs that were excluded from the target analysis (debt service, disaster assistance etc.).

The report back dates for most committees will be February 14th and 15th. The exact schedule is still being developed and we will forward that as soon as it is completed.

We know that committees are unlikely to find sufficient budget savings by cutting small amounts from each of many programs. After years of trying to perform the same functions with fewer resources, we expect that many departments cannot continue to do the same with less. We are asking policy committees to prioritize the programs and functions of each department based on the importance to meeting the needs of the citizens of the State, and make a recommendation as to which lower-priority programs or functions should be eliminated. We are also asking the policy committees to provide the Appropriations Committee with an impact statement for each newly proposed program reduction or elimination, explaining its impact on the service needs of the people of the State.

It will be difficult to make these recommendations, but if this growing budget hole is to be filled through spending reductions, the Appropriations Committee needs to know from the committees with expertise, which reductions will do the least damage to the State and its citizens. Without such expertise, the task of the Appropriations Committee will become more difficult and more risky but no less essential.

On behalf of the members of the Appropriations Committee, we would like to thank you for participating in the joint public hearings on the Governor's 2008-2009 supplemental budget proposals. Please contact us if you have any questions or concerns regarding this memorandum or the attachments.

Attachment

- cc: Members, Legislative Council
- Members, Policy Committees
- Members, Joint Standing Committee on Appropriations and Financial Affairs
- Committee Clerks
- OPLA Staff
- OFPR Staff